

Message Text

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PAGE 01 STATE 023898

13

ORIGIN NEA-13

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 IO-14 IGA-02 ABF-01 L-03

SS-20 SAM-01 FEA-02 INT-08 AGR-20 EA-11 SAB-01 /173 R

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R 052033Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY KATHMANDU

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 023898

E.O. 11652: GDS

TAGS: PFOR, NP

SUBJECT: AMBASSADOR KHANAL MEETING WITH DEP ASST SECY SOBER

REF: KATHMANDU 476

1. SUMMARY: DURING FEBRUARY 4 CALL BY AMBASSADOR KHANAL, SOBER EXPRESSED PLEASURE WITH PROGRESS OF AID PROGRAM IN NEPAL, BUT WAS NON-COMMITTAL ON FEELER FOR U.S. AID TO KARNALI PROJECT. ALSO TOUCHED ON WERE POSSIBILITIES NEW RELATIONS BETWEEN CHINA AND BANGLADESH, QUESTION OF BALUCHISTAN, MIDEAST PEACE MAKING EFFORT AND CALL FOR SPECIAL UNGA SESSION ON ENERGY CRISIS.

CONFIDENTIAL

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PAGE 02 STATE 023898

2. AID TO NEPAL: KHANAL SAID HE REGARDED DECISION ON WESTERN HILLS ROAD AS "IN OUR COURT NOW," AND ADDED HE THOUGHT GON PREFERRED FUNDING ON GRANT BASIS. SOBER NOTED OUR UNCERTAINTY AS TO GON'S PRESENT POSITION (PER KATHMANDU REFTTEL), BUT SUGGESTED PROPOSED SHIFT FROM DOLLAR LOAN TO RUPEE GRANT FINANCING MAY BEST SERVE NEPAL'S OWN REQUIREMENTS. KHANAL AGREED.

3. KHANAL EXPRESSED BELIEF THAT WAY IN WHICH U.S. HAD ORGANIZED WESTERN HILLS ROAD HAD CREATED "A LOT OF GOODWILL" BY PROVIDING FOR CONSTRUCTION DESIGN BY NEPALESE ENGINEERS. RECOGNIZING NECESSITY OF OUTSIDE TECHNICIANS AT TIMES, HE NEVERTHELESS DESIRED PRINCIPLE OF WESTERN HILLS ROAD BE

EXTENDED AS FAR AS POSSIBLE TO NEPALGUNJ-SURKHET PROJECT, CITING BOOST THIS WOULD GIVE NEPALESE SELF-CONFIDENCE. SOBER AGREED, ADDING USG DID NOT WISH AID RECIPIENTS TO BE FOREVER DEPENDENT ON FOREIGN TECHNICIANS, WHILE AT SAME TIME WE REALIZED NEED FOR OUTSIDE CONSULTANTS ON CERTAIN TECHNICAL MATTERS.

4. SOBER COMMENTED WE WERE "QUITE PLEASED" WITH PROGRESS OF AID PROGRAM IN NEPAL. HE NOTED OUR PARTICULAR PLEASURE THAT THE INDIAN RUPEE AGREEMENT WOULD INCREASE OUR FLEXIBILITY AND CAPABILITIES IN NEPAL. SOBER WAS HOPEFUL THAT SMALL AMOUNT OF CONGRESSIONAL CRITICISM WHICH HAD SURFACED WOULD NOT DELAY SIGNING RUPEE AGREEMENT LATER THIS MONTH.

5. ENERGY/KARNALI PROJECT: DESCRIBING NEPAL'S DEVELOPMENT AS "CONNECTED WITH DEVELOPMENT IN INDIA" AND NOTING INDIA AS ONE OF THOSE COUNTRIES "MOST AFFECTED" BY ENERGY CRISIS, KHANAL INQUIRED ABOUT USG VIEWS OF ENERGY SITUATION IN SUBCONTINENT. SOBER REPLIED INDIA WOULD BE HIT HARD AS ITS OIL BILL WOULD INCREASE TO OVER \$1 BILLION. HE SAW THE PROBLEM AS "POTENTIALLY VERY SERIOUS"; INDIA'S ABILITY TO IMPORT AND PRODUCE FERTILIZERS COULD BE AFFECTED AND CONSEQUENTLY AGRICULTURAL PRODUCTION, PARTICULARLY WHEAT, MIGHT DECLINE.

CONFIDENTIAL

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PAGE 03 STATE 023898

6. ASSERTING A NEW EMPHASIS IN INDIA ON HYDROELECTRIC POWER, KHANAL ASKED WHETHER SOBER THOUGHT WORLD BANK AND USG WOULD ASSIST NEPAL, E.G. ON THE KARNALI PROJECT. KHANAL DESCRIBED INDIAN POSITION ON KARNALI AS "VERY POSITIVE", BUT SAID IT WOULD BE DETERMINED BY OUR ATTITUDE. SOBER SAID THERE HAD BEEN "GOOD, SOLID IMPROVEMENT" IN INDO-US RELATIONS OVER THE LAST YEAR AND NOTED THAT THE CONCLUSION OF AGREEMENT ON RUPEES MAY ALLOW US TO GO ON

TO OTHER THINGS. NEVERTHELESS, SOBER EXPRESSED HIS BELIEF THAT NEITHER SIDE DESIRED A RETURN TO THE "VERY, VERY LARGE" PROGRAM OF THE PAST.

7. CHINA/BANGLADESH: KHANAL ASKED SOBER WHETHER THERE WERE SIGNS OF A DEVELOPING RELATIONSHIP BETWEEN CHINA AND BANGLADESH. SOBER REPLIED HE WAS NOT AWARE OF ANY AND THAT HE WOULD BE SURPRISED IF THIS WERE SO INASMUCH AS CHINA HAD COMMITTED ITSELF TO NOT RECOGNIZE BANGLADESH BEFORE PAKISTAN DOES. HE AGREED WITH KHANAL THERE WAS NO HOSTILITY BETWEEN CHINA AND BANGLADESH, AND CHINA'S POLICY WAS DIRECTED AGAINST RUSSIA AND INDIA RATHER THAN DACCA.

8. PAKISTAN: GIVING A "GREAT DEAL" OF CREDIT TO PM BHUTTO IN BRINGING PAKISTAN A "LONG WAY" SINCE 1971, KHANAL INQUIRED ABOUT THE SERIOUSNESS OF THE BALUCHISTAN PROBLEM. SOBER REPLIED THAT BHUTTO HAD TAKEN THE POSITION THAT IT WAS NOT FUNDAMENTALLY SERIOUS. HOWEVER, SOBER ADDED, HE THOUGHT IT IMPORTANT THERE BE A PEACEFUL ACCOMMODATION SO THAT THE PROBLEM DID NOT GROW WORSE. RE QUESTION OF IRAN'S INVOLVEMENT IN BALUCHISTAN, SOBER SAID THERE WAS COOPERATION BETWEEN IRAN AND PAKISTAN AND GENERAL AGREEMENT THAT THE PROBLEM NEEDED CONTROL.

9. MIDDLE EAST: KHANAL SAID HE HAD HOPED TO DISCUSS THE MIDDLE EAST WITH ASST SECY SISCO, WHO WAS UNAVAILABLE. SOBER NOTED U.S. WAS DOING WHAT IT COULD TO HELP PARTIES TO DISPUTE REACH A SOLUTION. WE ARE ENCOURAGED BY THE FIRST STEPS ALREADY TAKEN, BUT RECOGNIZE ENORMITY OF PROBLEM AND NEED FOR MUCH MORE TO BE DONE. IN REPLY TO KHANAL'S QUESTION ON THE IMPACT OF THE OIL EMBARGO ON THE SITUATION, SOBER CITED SECRETARY'S STATEMENT
CONFIDENTIAL

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PAGE 04 STATE 023898

REGARDING INAPPROPRIATENESS OF CONTINUATION OF EMBARGO AT TIME WHEN USG DOING UTMOST TO BE HELPFUL REGARDING BASIC DISPUTE AMONG REGIONAL PARTIES.

10. KHANAL INQUIRED ABOUT THE USG'S POSITION ON CALL FOR SPECIAL UNGA SESSION ON ENERGY CRISIS. SOBER REPLIED HE NOT AWARE THAT USG POSITION FINALIZED. OFF THE RECORD HE EXPRESSED SOME PERSONAL SKEPTICISM AS TO USEFULNESS OF MEETING AS PROPOSED BUT SAID IT WAS RECEIVING STUDY. KISSINGER

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